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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **FISCAL MONITORING OF DEPARTMENT OF MENTAL HEALTH
FISCAL YEAR 2002-2003 MENTAL HEALTH SERVICE PROVIDERS**

The Department of Mental Health (DMH) organizes and administers public mental health services in the County, either directly (DMH operated service providers) or through contracts with other County departments and private agencies (contract service providers). DMH service providers are subvented with State and federal funds, which must be used in accordance with applicable laws, regulations, policies and procedures of the funding sources.

DMH requested fiscal monitoring reviews of its service providers for FY 2002-2003. We contracted with M.R. Grant, CPAs, (M.R. Grant) to conduct the monitoring to ensure that the service providers have sufficient fiscal controls in place to manage grant monies. M.R. Grant also reviewed the service providers' compliance with the respective program regulations, the County's contract terms, and adherence to applicable federal and State requirements.

M.R. Grant completed its monitoring for FY 2002-2003 and has separately reported the results of their monitoring reviews for the 110 service providers (see Attachment A). Some of these providers have the same parent legal entity name. M.R. Grant monitored 52 legal entities for FY 2002-2003. A summary of findings by type is shown in Attachment B.

All reports were discussed with DMH representatives and the appropriate service provider. DMH requested a written corrective action plan from all providers that had findings and initiated collection procedures for identified over-billings of \$324,521 from contract service providers. In addition, one provider, Youth Intervention Program (YIP),

appears to have overstated its FY 2001-2002 Cost Report by \$1,273,877. DMH is in the process of determining if any overpayments actually occurred because of this overstatement. DMH plans to proceed with collecting any overpayments, as appropriate. However, a few contract providers have appealed the findings, which may affect the final collection amount. M.R. Grant also identified over-billings of \$272,037 from DMH operated service providers. DMH will inform the responsible DMH managers of these identified over-billings and provide them with the respective corrective action plans for monitoring purposes. We recommend that DMH follow-up to ensure all corrective action plans are received and verify that corrective actions are taken.

Due to the large number of audits completed, copies of the individual reports are not enclosed. If you desire to review any of the reports, please let us know and we will provide them.

JTM:DR:RD

Attachments

c: David E. Janssen, Chief Administrative Officer
Marvin J. Southard, D.S.W., Director, Department of Mental Health
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**Department of Mental Health
Schedule of Mental Health Service Providers
Revenue and Going Concern Monitoring by Contract**

Fiscal Year 2002-03

| <u>Contract Service Providers</u> | <u>Reported Over-Billings</u> | <u>Findings (A)</u> |
|--|-----------------------------------|---------------------|
| 1. ASC Treatment Group #7295 | \$ | |
| 2. Aspen Health Services Corporation #7266 | 6,175 | (1) |
| 3. Assoc. League Mexican-American, Inc. #7019 | 4,682 | (1)(2) |
| 4. Child and Family Guidance Center #1975 | 1,119 | |
| 5. Child and Family Guidance Center #7225 | 1,404 | |
| 6. Child and Family Guidance Center #7247 | 67 | |
| 7. Child and Family Guidance Center #7389 | 910 | |
| 8. Child and Family Guidance Center #7390 | 383 | |
| 9. Child and Family Guidance Center #7460 | | (2) |
| 10. Child and Family Guidance Center #7491 | 118 | |
| 11. ChildNet & Youth Family Services, Inc. #7345 | | |
| 12. ChildNet & Youth Family Services, Inc. #7454 | | |
| 13. ChildNet & Youth Family Services, Inc. #7469 | | |
| 14. Children's Institute International #7275 | 9,241 | |
| 15. Children's Institute International #7328 | 15,016 | |
| 16. College Hospital - Cerritos #7299 | 37,825 | (15) |
| 17. Community Family Guidance Center #1977 | 2,197 | (1) |
| 18. Community Family Guidance Center #7246 | 1,228 | |
| 19. Community Family Guidance Center #7471 | | |
| 20. Counseling & Research Associates #7342 | | (4) |
| 21. Counseling & Research Associates #7432 | 1,953 | (4) |
| 22. D'Veal Corporation #7341 | 3,754 | (1)(4)(10) |
| 23. D'Veal Corporation #7440 | 8,250 | (1)(4)(10) |
| 24. ENKI Health & Research Systems, Inc. #7173 | 503 | (1)(2)(4) |
| 25. ENKI Health & Research Systems, Inc. #7253 | 3,189 | (1)(4) |
| 26. ENKI Health & Research Systems, Inc. #7254 | 432 | (4) |
| 27. ENKI Health & Research Systems, Inc. #7255 | 1,507 | (1)(4) |
| 28. ENKI Health & Research Systems, Inc. #7258 | 1,972 | (4) |

(A) The types of findings are described in Attachment B according to their reference number.

| <u>Contract Service Providers</u> | <u>Reported Over-Billings</u> | <u>Findings (A)</u> |
|--|--|----------------------------|
| 29. ENKI Health & Research Systems, Inc. #7360 | \$ 616 | (4) |
| 30. ENKI Health & Research Systems, Inc. #7452 | 551 | (4) |
| 31. ENKI Health & Research Systems, Inc. #7472 | 1,097 | (1)(4) |
| 32. Enrichment Through Employment #7308 | 774 | (2)(13) |
| 33. Ettie Lee Homes, Inc. #7375 | 2,380 | (1) |
| 34. Ettie Lee Homes, Inc. #7453 | | |
| 35. Gay & Lesbian Adolescent SS, Inc. #7376 | 16,645 | (1)(2)(9-11) |
| 36. Gay & Lesbian Adolescent SS, Inc. #7459 | 2,539 | (1)(9-11) |
| 37. The Guidance Center #1966 | 1,610 | |
| 38. The Guidance Center #7249 | 6,984 | (1) |
| 39. The Guidance Center #7263 | 4,238 | |
| 40. The Guidance Center #7279 | 3,334 | |
| 41. The Guidance Center #7280 | 1,756 | |
| 42. The Guidance Center #7433 | 2,140 | |
| 43. The Guidance Center #7456 | 819 | |
| 44. The Guidance Center #7464 | 17,520 | (1) |
| 45. Institute of Redesign of Learning #7184 | 4,248 | (1)(2)(7)(11) |
| 46. Institute of Redesign of Learning #7368 | 2,100 | (1)(7)(11) |
| 47. LA County Office of Education #7391 | | |
| 48. LA Unified School District #7211 | 2,059 | (1) |
| 49. LA Orphans Home Society #7343 | | |
| 50. Mental Health Assoc. in LA County #7204 | 3,679 | (1) |
| 51. Mental Health Assoc. in LA County #7212 | 29,676 | (1)(2) |
| 52. Mental Health Assoc. in LA County #7422 | 665 | (2) |
| 53. Olive Crest Treatment Centers, Inc. #7269 | | (2) |
| 54. One in Long Beach, Inc. #7377 | | (3)(11)(17) |
| 55. Optimist Youth Homes #7344 | 4,589 | (1)(13) |
| 56. Optimist Youth Homes #7444 | 2,037 | (13) |
| 57. Phoenix House of LA, Inc. #7356 | | (2)(14)(16) |
| 58. Prototypes (I-CAN) #7370 | 10,512 | (1)(13) |
| 59. Research and Treatment Institute, Inc. #7274 | | (13)(14) |
| 60. San Fernando Valley Community MHC #6853 | | |
| 61. San Fernando Valley Community MHC #7049 | 532 | |
| 62. San Fernando Valley Community MHC #7100 | 3,583 | |

(A) The types of findings are described in Attachment B according to their reference number.

| <u>Contract Service Providers</u> | <u>Reported Over-Billings</u> | <u>Findings (A)</u> |
|--|-----------------------------------|---------------------|
| 63. San Fernando Valley Community MHC #7115 | \$ | |
| 64. San Fernando Valley Community MHC #7174 | 3,406 | (1) |
| 65. San Fernando Valley Community MHC #7177 | | |
| 66. San Fernando Valley Community MHC #7235 | | |
| 67. San Fernando Valley Community MHC #7252 | 217 | |
| 68. San Fernando Valley Community MHC #7297 | | |
| 69. San Fernando Valley Community MHC #7304 | 1,200 | |
| 70. San Fernando Valley Community MHC #7320 | 591 | |
| 71. San Fernando Valley Community MHC #7321 | | |
| 72. San Fernando Valley Community MHC #7322 | | |
| 73. San Fernando Valley Community MHC #7338 | | |
| 74. San Fernando Valley Community MHC #7354 | 177 | |
| 75. San Fernando Valley Community MHC #7355 | 177 | |
| 76. San Fernando Valley Community MHC #7358 | 1,389 | |
| 77. San Fernando Valley Community MHC #7369 | 3,205 | (1) |
| 78. San Fernando Valley Community MHC #7415 | | |
| 79. San Fernando Valley Community MHC #7416 | | |
| 80. San Fernando Valley Community MHC #7417 | | |
| 81. San Fernando Valley Community MHC #7445 | | |
| 82. San Fernando Valley Community MHC #7451 | 1,479 | |
| 83. San Fernando Valley Community MHC #7485 | | |
| 84. St. Francis Medical Center #7346 | | (2) |
| 85. St. Francis Medical Center #7499 | | (2) |
| 86. United American Indian Involvement #7414 | 3,766 | (1)(2) |
| 87. Youth Intervention Program #7305 | 15,350 | (1-2)(4-8)(18) |
| 88. Youth Intervention Program #7306 | | (4-8)(18) |
| 89. Harbor-UCLA Medical Center #1962 | 1,501 | (2) |
| 90. MLK/Drew Medical Center #1963 | 45,052 | (1) |
| 91. Olive View Medical Center #1953 | 13,391 | (2) |
| 92. California DMH-Patton State Hospital | | |
| 93. California DMH-Metropolitan State Hospital | 5,012 | |
| Total Contract Service Providers: | \$324,521 | |

(A) The types of findings are described in Attachment B according to their reference number.

| <u>DMH Operated Service Providers</u> | <u>Reported Over-Billings</u> | <u>Findings (A)</u> |
|--|--|----------------------------|
| 94. Augustus F. Hawkins Comp MH #6864 | \$ 27,020 | (1)(2) |
| 95. Coastal Asian Pacific MHC #7064 | 8,829 | (1) |
| 96. Compton MHC #1938 | 24,005 | (1) |
| 97. Continuing Care - Metro Unit #7175 | 1,619 | (1)(2) |
| 98. Countywide Child Interagency CM #7171 | 2,839 | (1)(2) |
| 99. CROMIO #7364 | 10,671 | (1) |
| 100. Downtown MHC #7057 | 17,052 | (1) |
| 101. EOB Homeless Outreach #7379 | 82,541 | (1)(2) |
| 102. LA Central Continuing Care - Adult OP #6849 | 1,430 | (2) |
| 103. Latino MHC #7267 | 2,398 | (1) |
| 104. Long Beach - MET #7259 | 3,186 | |
| 105. Long Beach Asian Pacific MHC #7207 | 6,937 | (1) |
| 106. Long Beach MHC #1927 | 39,232 | (1) |
| 107. Rio Hondo MHC #1930 | 17,681 | (1)(2) |
| 108. Roybal Family MHC #6857 | 405 | |
| 109. San Fernando MHC #6840 | 10,373 | (1)(2)(12) |
| 110. West Valley MHC #6841 | 15,819 | (1) |
| Total DMH Operated Service Providers: \$ | 272,037 | |
| Total Service Providers: \$ | 596,558 | |

(A) The types of findings are described in Attachment B according to their reference number.

Summary of Findings
Fiscal Year 2002-03

- (1) "MIS Units Do Not Match Client Files" refers to units of services billed to the County through the Department of Mental Health's (DMH) Management Information System (MIS) that are not supported by appropriate documentation in the client files. We considered a finding in this area if the error rate exceeded 10%. Forty providers referenced in Attachment A had error rates greater than 10%.
- (2) Providers must complete annual Patient Financial Information (PFI) forms for every client receiving service. We considered a finding in this area if the error rate exceeded 10%. Twenty-three providers referenced in Attachment A had error rates greater than 10%.
- (3) Management did not provide the auditor with required certification and representation letters.
- (4) Employees listed on the Payroll Register were also listed, and some paid, on a Form 1099.
- (5) Financial statements had not been audited by a CPA since the fiscal year ended March 2001.
- (6) General ledger account for property and equipment has no supporting schedule(s).
- (7) Total cost reported to the County on the Cost Report does not agree with the total cost reported on the General Ledger Trial Balance.
- (8) Payroll tax liability to the IRS was \$617,000 in 2001.
- (9) Audited financial statements as of December 31, 2002 were not submitted for review.
- (10) Bank reconciliation amount does not agree with the cash balance on the Trial Balance as of April 30, 2003.
- (11) A formal Cost Allocation Plan was not submitted for review and verification.
- (12) Attendance notes were not included on the Day Rehabilitation Form #6F.
- (13) Total Cost listed on the Cost Report (DMH) does not agree with the total cost per the audited financial statements.

- (14) Forms DE6 and/or 941 were not submitted for review.
- (15) The audited financial statements listed the accumulated deficit per calendar years 2001 and 2002 as \$12.2 million and \$11.7 million, respectively. However, the current year's operations (2002) reflected a net income of \$532,374.
- (16) Audited financial statements for June 30, 2002 were received without the completed opinion and/or signature page on letterhead.
- (17) Payroll cancelled checks were not submitted for review.
- (18) The Fiscal Year 2001-02 Cost Report overstated expenditures by \$1,273,877. DMH is in the process of determining how much Youth Intervention Program (YIP) owes as a result of this overstatement. DMH will proceed with collecting any overpayments, as appropriate. None of the \$1,273,877 is included in the \$324,521 reported over-billings by contract service providers.